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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SANTA ROSA DIVISION

In re:

THE ROMAN CATHOLIC BISHOP OF
SANTA ROSA,

Debtor-In-Possession.

CASE NO. 23-10113

Chapter 11

Date: March 16, 2023
Time: 1:00 p.m.
Location: 1300 Clay Street, Ctrm. 215
Oakland, CA
[In person or via Zoom]
Judge: Hon. Charles Novack

Order Shortening Time

**MOTION FOR ORDER (1) AUTHORIZING CONTINUED USE OF EXISTING CASH
MANAGEMENT SYSTEM, OPERATIONAL BANK ACCOUNTS AND RELATED
INVESTMENT ACCOUNTS; (2) EXCUSING COMPLIANCE WITH SECTION 345(b);
AND (3) AUTHORIZING CONTINUED USE OF CURRENT INVESTMENT POLICY**

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RULES

Bankruptcy Rule 20023

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Local Rule 20151, 12, 14, 21

1 The Roman Catholic Bishop of Santa Rosa (the “RCBSR” or the “Debtor in Possession”),
2 debtor and debtor in possession, moves the Court for an Order (1) Authorizing Continued Use of
3 Existing Cash Management System, Operational Bank Accounts, and Related Investment
4 Account, (2) Excusing Compliance with Section 345(b), and (3) Authorizing Continued Use of
5 Current Investment Policy (the “Motion”). In support of this Motion, the Debtor relies upon the
6 Declaration of Deacon Joe Oberting in Support of Chapter 11 Petition and First Day Motions
7 (“Oberting Background Decl.”), the Declaration of Deacon Joe Oberting filed in support of this
8 Motion (“Oberting Decl.”), the Declaration of Adrienne Moran in Support of Chapter 11 Petition
9 and First Day Motions (“Moran Decl.”).

10 JURISDICTION

11 1. This Court has jurisdiction over this case under 28 U.S.C. §§ 157 and 1334. Venue
12 is proper in this district under 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under
13 28 U.S.C. § 157(b). The statutory bases for the relief requested include §§ 105(a) and 345(b) of
14 the Bankruptcy Code¹ and Rule 2015-1 of the Local Rules of Bankruptcy Practice and Procedure
15 of the United States Bankruptcy Court for the Northern District of California (the “Local Rules”).

16 2. The RCBSR does not, by filing its petition for relief and other documents in this
17 bankruptcy case, waive any of its rights under any applicable law, including, without limitation,
18 the Code of Canon law, the First Amendment of the United States Constitution, the Constitution
19 for the State of California, California’s law on corporations sole (California Corporations Code
20 §§ 10000-10015), the Religious Freedom Restoration Act, the church autonomy doctrine,
21 charitable trust law, California trust law, and the rights to object to disclosure of information and
22 to contend that certain assets discussed in the Motion are not property of the estate.

23 RELIEF REQUESTED

24 3. By this Motion, the Debtor in Possession seeks, *inter alia*, entry of an order (a)
25 waiving the Local Rules and United States Trustee Guidelines (“UST Guidelines”) to the extent
26 necessary in order for the Debtor to continue its use of its existing cash management system, (b)
27 authorizing the Debtor to continue using its prepetition bank accounts and business forms,

28 ¹ All section references hereafter are to Title 11 of the United States Code unless noted otherwise.

1 including a waiver of the requirement that the legend “debtor in possession” be imprinted on any
2 existing checks and business forms, and (c) authorizing the Debtor to continue the use of its
3 existing cash management system and accounting policies and practices. The Debtor also seeks
4 to continue its investment policies during its bankruptcy case, without posting any bonds pursuant
5 to section 345(b) of the Bankruptcy Code. The Debtor seeks this authorization to ensure its orderly
6 entry into bankruptcy and to help administer its business efficiently and avoid the disruptions,
7 distractions, delays and significant expense that otherwise would inevitably divert the Debtor’s
8 attention from urgent matters during the initial stages of its bankruptcy case.

9 4. As noted below in more detail, all of the relevant banks where the RCBSR’s bank
10 accounts are located are FDIC insured banking institutions which have complied with the United
11 States special depository procedures under Bankruptcy Code section 345 and are on the United
12 States Trustee’s list of authorized depositories for the Northern District of California, except for
13 a stock transfer account at Merrill Lynch. While Merrill Lynch is not an FDIC insured banking
14 institution, it is a subsidiary of Bank of America, the third largest bank in the United States, and
15 the stock transfer account is used solely to monetize donated stock. The two investment type
16 accounts at issue are at the Catholic Community Foundation, which accounts are at Summit State
17 Bank (on the U.S. Trustee approved list) and Catholic Extension, which is an independent
18 501(c)(3) organization that is not insured by the FDIC.

19 5. A copy of the proposed order on this Motion is attached hereto as Exhibit A.

20 BACKGROUND

21 6. On March 13, 2023, the RCBSR commenced its chapter 11 reorganization case.
22 The RCBSR filed this case to reorganize its financial affairs pursuant to a plan of reorganization
23 that will, among other things, fairly, justly, and equitably compensate survivors of sexual abuse
24 by clergy or others associated with the RCBSR and bring healing to survivors, parishioners and
25 others affected by past acts of sexual abuse. The RCBSR has limited funds with which to respond
26 to the variety of demands from its creditors. The RCBSR requires the bankruptcy court’s
27 protection and the protection of the bankruptcy laws to make fair and equitable payment on all of
28 the claims against it, including the claims by survivors of abuse, trade creditors, the parishes and

1 others, while continuing its ministries and support it offers to Catholic parishes and communities.
2 Additional detailed background information on the RCBSR can be found in the Oberting
3 Background Decl. and the Moran Decl.

4 7. In each diocesan bankruptcy where a plan of reorganization has been confirmed,
5 the plan confirmed by the bankruptcy court was a pot plan negotiated through extensive mediation,
6 after exchanging information with the Creditors Committee, among the interested parties in the
7 case which settled disputes over what was property of the bankruptcy estate and provided for a
8 settlement of the claims of Abuse survivors. The RCBSR intends to negotiate a pot plan of
9 reorganization as early as possible which will: (a) allocate the RCBSR's remaining assets fairly
10 among the legitimate competing interests for such property; (b) provide a process to fully, fairly
11 and expeditiously liquidate claims of Abuse survivors; and (c) permit the RCBSR to carry on the
12 RCBSR's essential ministries and services so the RCBSR can continue to meet the needs of the
13 Non-Debtor Catholic Entities, parishioners, and others who rely on the RCBSR's ministry,
14 education, and charitable outreach.

15 **PROCEDURAL POSITION OF THIS MOTION**

16 8. Pursuant to sections 1107 and 1108, the Debtor continues to operate its business
17 and manage its property as a debtor-in-possession. No trustee or examiner has been requested or
18 appointed in this case.

19 9. Notice of this Motion has been provided to the 20 largest unsecured creditors, the
20 secured creditors if any, the Office of the United States Trustee, the Internal Revenue Service,
21 corresponding state agencies, as well as other governmental agencies, to the extent required by
22 the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the Northern
23 District of California, and those persons who have formally appeared and requested service in this
24 case pursuant to Bankruptcy Rule 2002. Given the nature of the relief requested, the Debtor in
25 Possession submits that no further notice of this Motion is necessary.

26 **FACTUAL BACKGROUND FOR RELIEF REQUESTED**

27 10. As further discussed in the Oberting Background Decl., the RCBSR provides
28 certain administrative services and pooling arrangements for the various components of the

1 RCBSR, as well as for numerous Non-Debtor Catholic Entities pursuant to service management
2 agreements (collectively, the “Services Agreements”) and otherwise.² The RCBSR provides
3 services including appointment of priests and permanent deacons, maintains the remuneration
4 policy for priests (including retirement plans and health insurance plan), while the parishes pay
5 for these items organized and administered by the RCBSR. The RCBSR provides a defined
6 contribution retirement plan and health and life insurance plans for lay personnel for which the
7 parishes pay. Insurance coverage packages for buildings, liability, workers compensation, and
8 earthquake are also provided from a pooled insurance plan. Parishes are provided with retained
9 legal services and human resources management as well as financial guidance in the form of
10 human resource and financial management handbooks, backed by personnel in the chancery office
11 to assist as questions arise. In addition, the Services Agreements ensure compliance with Canon
12 Law and promotes consistent policies and procedures within the Diocese of Santa Rosa. Each
13 Parish pays the RCBSR a service fee as compensation for the services provided currently set at
14 approximately 9.1% of the Parishes’ annual total revenue from the prior year. The Service
15 Agreements are a significant source of the RCBSR’s annual funding. Oberting Decl., ¶6.

16 **Bank Accounts Related to Debtor’s Cash Management System**

17 11. In the ordinary course of business, the Debtor utilizes a centralized cash
18 management system (the “Cash Management System”) to facilitate the financial operation of its
19 central administrative offices. The Debtor in Possession has bank accounts with a number of
20 financial institutions (the “Banks”) in order to facilitate the Cash Management System. A list of
21 the Debtor in Possession’s bank accounts along with the balance in the account as of December
22 31, 2022, can be found attached to the Oberting Declaration as Exhibit A (the “Bank Accounts”).

23 12. A diagram setting forth the flow of funds among the Bank Accounts and
24 summarizing the Cash Management System, as it exists on the Petition Date, is attached to the
25 Oberting Declaration as Exhibit B.

26 13. The RCBSR’s Bank Accounts are held at West America Bank, Wells Fargo Bank,

27
28 ² The Non-Debtor Catholic Entities are described in the Oberting Background Decl. and include the Parishes, RCWC, CCF, Catholic Charities, CNHS, and Cemeteries.

1 Summit State Bank, U.S. Bank, and Merrill Lynch. There are also funds at PNC Institutional
2 Asset Management, which is a marketing name for The PNC Financial Services Group, Inc. as
3 the parent of PNC Bank, National Association (“PNC Bank”). Except for Merrill Lynch, these
4 banks are all FDIC insured banking institutions which have complied with the United States
5 special depository procedures under Bankruptcy Code section 345 and are on the United States
6 Trustee’s list of authorized depositories for the Northern District of California. While Merrill
7 Lynch is not an FDIC insured banking institution, it is a subsidiary of Bank of America, the third
8 largest bank in the United States. Oberting Decl., ¶9.

9 14. The RCBSR also has funds in a pooled account with Catholic Extension, an
10 independent 501(c)(3) organization that is not a FDIC insured institution. Catholic Extension
11 operates a pooled investment fund on behalf of certain Catholic Dioceses (the “Mission
12 Dioceses”), named the Mission Diocese Fund. In 2014, the RCBSR deposited \$1,000,000 into
13 this fund, which funds are managed by Catholic Extension and invested by Cambridge Associates.
14 The RCBSR has neither deposited nor withdrawn funds since it made its initial deposit.
15 Information about Mission Diocese Fund is attached to the Oberting Decl. as Exhibit C. The
16 RCBSR is informed that other Catholic dioceses that have filed chapter 11 have been able to
17 maintain their funds in Mission Diocese Fund. Oberting Decl., ¶10.

18 15. The Bank Accounts maintained by the RCBSR contain property of the estate and
19 property administered for others under the various Services Agreements or held in trust for others,
20 which is not property of the estate. Further, many of the funds in the Bank Accounts are subject
21 to charitable restrictions and constitute restricted funds, which are not available to creditors of the
22 estate. The RCBSR maintains records to account for the differing character of the funds it holds,
23 as described above. Oberting Decl., ¶11.

24 16. In the ordinary course of business, the RCBSR maintains the Bank Accounts
25 described herein to facilitate the financial operations of its central administrative offices.

26 Debtor’s General Operating Accounts

27 17. The RCBSR maintains an operating bank checking account and money market
28 account at Wells Fargo (#7582 and #4305, respectively) (collectively, the “General Fund”). The

1 General Fund acts as the Debtor's central repository of funds and is the primary payor account for
2 substantially all of the Debtor's expenses. The General Fund is funded from multiple sources
3 including fees and deposits pursuant to the Parish Services Agreements (including assessments),
4 certain contributions from the Annual Ministry Appeal ("AMA"), funds for projects and ministries
5 operated by the RCBSR, and from grants. Oberting Decl., ¶13.

6 18. The General Fund checking account generally has less than \$250,000. Funds in
7 excess of this amount are transferred to the General Fund's money market account and moved
8 back into the General Fund as needed to fund disbursements. Oberting Decl., ¶14.

9 Payroll Account

10 19. The RCBSR maintains a payroll account at West America Bank (#8396). The
11 payroll account is funded from the General Fund for payroll expenses of RCBSR employees,
12 including the payment of payroll taxes, and employee contributions for the 403(b) Lay Pension
13 defined contribution plan. The RCBSR also administers payroll for most of the Parishes, although
14 some administer their own payrolls funded by those entities, and RCBSR is reimbursed for
15 amounts paid on behalf of the Parishes. The Debtor in Possession is filing a separate motion to
16 approve payment of any unpaid pre-petition wages and benefits up to the priority amounts for its
17 employees, although the RCBSR has prepaid its payroll so there may be no pre-petition wages
18 owed. Oberting Decl., ¶15.

19 Health Insurance Accounts

20 20. The RCBSR maintains two accounts at Wells Fargo (#5567) ("Health Insurance
21 Checking") and (#4306) ("Health Insurance Money Market") to administer and pay expenses for
22 health insurance. Oberting Decl., ¶16.

23 21. For health insurance, the RCBSR is insured through the Reta Trust ("RETA").
24 RETA provides healthcare-related benefits to U.S. dioceses and Catholic organizations that are
25 aligned with the teachings of the Roman Catholic Church. RETA manages contracts and provider
26 networks with national health plans including Blue Cross Blue Shield organizations, Kaiser
27 Permanente, Delta Dental and VSP Vision Care. All plans are self-insured, and RETA sets the
28 contribution funding rates. Oberting Decl., ¶17.

1 22. On about the 20th day of the month for the upcoming month, RETA sends an
2 invoice to the RCBSR which includes the health insurance premiums for the RCBSR and certain
3 of the Non-Debtor Catholic Entities (Parishes, Catholic Charities, Cemeteries and CNHS). On
4 the 2nd or 3rd day of the month, RETA withdraws via ACH the entire amount of the invoice in
5 the approximate amount of \$500,000 (100%, including the other entities' portions) from the
6 Health Insurance Checking account. RETA also withdraws from the accounts of the applicable
7 Non-Debtor Catholic Entities the allocated amount owed by such entity (thus RETA is initially
8 collecting twice). However, if RETA is unable to pull the full amount owing from one of the other
9 entities, the RCBSR will bill that entity for the amount it advanced on its behalf. On the 15th of
10 the month, RETA performs a reconciliation and refunds to the RCBSR Health Insurance Checking
11 account the amounts it collected from the other entities, which is typically the full amount
12 (approximately \$500,000). Oberting Decl., ¶18.

13 23. When RETA has approval from its Board of Trustees, as a result of reviewing its
14 own cash reserves, it has in the past refunded a portion of health benefits premiums on a monthly
15 basis. The last such refund received by RCBSR was in September 2022. Oberting Decl., ¶19.

16 24. When there are excess funds in the Health Insurance Checking account, the
17 RCBSR transfers such funds to the Health Insurance Money Market account to maximize interest
18 accrual. Oberting Decl., ¶20.

19 25. Toward the end of the fiscal year, the funding of the Health Insurance account is
20 reviewed. If it is determined there are sufficient excess funds, the RCBSR will inform the
21 appropriate entity or entities that an upcoming monthly billing cycle will be skipped. Oberting
22 Decl., ¶21.

23 Self-Insurance – Property, Liability, Earthquake, Auto, and Workers Compensation
24 Insurance accounts

25 26. The RCBSR maintains bank accounts at Wells Fargo (#1339) (“Self-Insurance
26 Checking Account”) (#3724) (“Self-Insurance Money Market Account”) to manage insurance
27 programs for property, liability, earthquake, and auto insurance and for worker’s compensation
28 insurance for the RCBSR and the Non-Debtor Catholic Entities. As noted below in paragraph 32,

1 the RCBSR also has Self-Insurance funds held at PNC Bank in investment accounts overseen by
2 CAPTRUST, an advisor for the RCBSR for the self-insurance reserves. Oberting Decl., ¶22.

3 27. The RCBSR and Non-Debtor Catholic Entities are partially self-insured for
4 property, liability, earthquake, and auto insurance and for worker's compensation coverage. The
5 RCBSR participates in a pool of insureds managed by Catholic Mutual Insurance Company
6 ("Catholic Mutual"). Being a part of a pool allows for additional buying and negotiating power.
7 Oberting Decl., ¶23.

8 28. The RCBSR collects and maintains funds on behalf of the Non-Debtor Catholic
9 Entities and other participating entities pursuant to the RCBSR's performance under the Services
10 Agreements. If the RCBSR or a Non-Debtor Catholic Entity were to terminate its participation in
11 the pooled insurance, that entity would be entitled to the percentage portion of that entity's funds
12 transferred to that account during the last insurance year, divided by the total funds contributed to
13 the account over the last insurance year. The insurance year runs from July 1 to June 30. Oberting
14 Decl., ¶24.

15 29. The payment of the premiums and other fees is made from the Self Insurance
16 Checking Account to Catholic Mutual. If at the end of the year, the balance of the account is
17 determined to have created a surplus, then such surplus is applied toward reducing the increase in
18 premium the following year. Oberting Decl., ¶25.

19 30. The RCBSR pays approximately \$2 million annually in July of each year to
20 Catholic Mutual for property, liability, earthquake, and auto insurance coverage. The RCBSR
21 bills each entity its allocated share of the current year's premiums, allocated based on the value of
22 covered property. Oberting Decl., ¶26.

23 31. For worker's compensation coverage, the RCBSR pays approximately \$625,000
24 annually to Church Mutual. The RCBSR notifies the participating entities in March what their
25 portion of the expense is, and the entities then pay their share of the insurance premium, similar
26 to how the property, liability, earthquake, and auto insurance coverage is handled as described
27 above. Oberting Decl., ¶27.

28 32. The RCBSR pays the property, liability, earthquake, and auto insurance and

1 worker's compensation premiums in aggregate upon receipt of the invoices and is reimbursed by
2 the participating entities over the course of the following year. Oberting Decl., ¶28.

3 Self-Insurance Investment Accounts

4 33. The RCBSR maintains Self-Insurance Investment Accounts (Extension Mission
5 Diocese account #1002 and PNC Investment #0465). In or about 1999, the RCBSR held a
6 campaign to raise funds to cover potential losses that may not be covered by insurance. These
7 self-insurance funds (and other funds added since the major campaigns) are held in the Self-
8 Insurance Investment Accounts. Oberting Decl., ¶29.

9 Stock Transfer Account

10 34. The RCBSR maintains a Stock Transfer Account (Broker Account) at Merrill
11 Lynch (#4A15). This account is used to monetize donations of stock. The funds are then sent to
12 the designated parish or other intended donee. Oberting Decl., ¶30.

13 Restricted Accounts

14 35. The RCBSR maintains multiple restricted accounts related to four general
15 categories: Restricted AMA funds, Restricted Retirement funds, Restricted Lay Pension 403(b)
16 and Life Insurance and Other Restricted funds. Oberting Decl., ¶31.

17 36. Restricted funds may not be used for any purpose inconsistent with the intent of
18 the donation or the intent of the priest or lay benefit. These funds are tracked specifically in the
19 RCBSR's books and records and maintained in a separate bank account. Oberting Decl., ¶32.

20 Restricted Annual Ministry Appeal Accounts

21 37. The RCBSR maintains three bank accounts to manage funds raised in connection
22 with the Annual Ministry Appeal ("AMA"): Wells Fargo Checking Account (#7632) ("AMA
23 Checking Account"), Wells Fargo money market account (#4732) ("AMA Money Market
24 Account"), and Summit State Bank account (#1944) ("Summit AMA Account"). The AMA is an
25 annual appeal commencing in February or March of each year to raise restricted funds for certain
26 specified ministries of the Diocese. Oberting Decl., ¶33.

27 38. The target amount of the AMA is established as a goal by the Bishop annually and
28 communicated to the Parishes. Historically, the AMA has raised approximately \$900,000 each

1 year. The AMA goal for 2023 is \$897,111. There are numerous purposes, programs and
2 campaigns utilized to raise the funds. Oberting Decl., ¶34.

3 39. Money raised by the parishes remitted in the form of checks and cash are deposited
4 into the AMA Checking Account at Wells Fargo. Receipts in the form of credit card payments or
5 direct deposit are deposited into the Summit AMA Account. Oberting Decl., ¶35.

6 40. If any parish remits more than its target fund-raising goal, the excess is refunded
7 to such parish from the AMA bank account annually. Oberting Decl., ¶34.

8 41. Each month during the fiscal year, approximately \$75,000 (1/12th of \$900,000) is
9 transferred from the AMA Checking Account to the Chancery General Fund, which funds are
10 disbursed exclusively for the benefit of the various diocesan ministries. Income and expenses of
11 each ministry is tracked within the RCBSR main accounting system. None of the AMA funds are
12 retained or disbursed for the benefit of the RCBSR. AMA funding supports less than half of the
13 budgets of all ministries collectively. Ministries also are charged with seeking funding from
14 grants, various fees and other donations. Oberting Decl., ¶37.

15 Restricted Retirement Accounts

16 42. The RCBSR maintains two bank accounts at Wells Fargo (#5160) (“Priests
17 Retirement Checking Account”), and (#4731) (“Priests Retirement Money Market”) for funds
18 held relating to its Priest Retirement Plan. There also is a Bishop Retirement SERP at U.S. Bank
19 (#5400) (“Bishop SERP Account”) and a “frozen” Defined Benefit Lay Pension Plan with funds
20 held at PNC Bank. Oberting Decl., ¶38.

21 43. The RCBSR, Parishes and other entities contribute collectively \$1,125 per priest
22 per month for retirement for those priests serving them. The RCBSR contributes for the benefit
23 of the Bishop (\$5,978 as per the actuarial report) and the Vicar General and sends a check from
24 the General Fund to the Priests Retirement Checking Account. The RCBSR, the parishes and
25 schools each send their portion to the Priests Retirement Checking Account. In the event a priest
26 provides services to more than one entity, the \$1,125 is allocated to each entity via a formula.
27 Oberting Decl., ¶39.

28 44. Certain monthly disbursements are made from the Priests Retirement Checking

1 Account, including retirement funds for certain unincardinated priests and long-term care and life
2 insurance costs for retired or unassigned priests. Contributions to the Bishop's SERP are
3 transferred from this account to the Bishop SERP account at U.S. Bank (#5400). Any remaining
4 balance in this account are transferred to the Priest Pension fund. Oberting Decl., ¶40.

5 45. The RCBSR maintains a SERP pension plan for the benefit of the Bishop via the
6 Bishop SERP Account. The RCBSR currently has one living retired bishop who is receiving
7 monthly benefit payments, and one active bishop who would be a beneficiary upon his retirement.
8 The actuary retained by the RCBSR, Nicolay Consulting Group, provides actuarial reports
9 annually which indicate how much money should be deposited into the Bishop SERP Account.
10 This amount is transferred via check monthly from the Priests Retirement Checking Account into
11 the Bishop Retirement SERP Account at U.S. Bank (#5400). Oberting Decl., ¶41.

12 46. The RCBSR maintained a Diocesan Defined Benefit Lay Pension Plan until 2014,
13 at which time it was frozen. A new plan was formed as the Defined Contribution Plan. Effective
14 June 20, 2014, and facing a high unfunded pension liability, the Diocesan Defined Benefit Lay
15 Plan was "frozen," meaning each participant's defined pension benefit was determined as of the
16 freeze date and remains unchanged regardless of future pay increases or length of service.
17 Oberting Decl., ¶42.

18 47. The Diocesan Defined Benefit Lay Pension Plan remains underfunded, and the
19 RCBSR and certain of the Non-Debtor Catholic Entities pay annual premiums towards the
20 underfunded balance. Each of these entities pays 3.6% of its gross payroll into a restricted
21 account. Nicolay Consulting Services also serves as the actuary for the frozen plan. Nicolay
22 provides actuarial reports annually which indicate how much money should be deposited into the
23 frozen plan. The trust fund for the frozen plan is held in custodial accounts at PNC Bank, so when
24 deposits are made into the plan they are sent to PNC Bank. Oberting Decl., ¶43.

25 Restricted Lay Pension 403(b) and Life Insurance

26 48. The RCBSR maintains two restricted funds bank accounts at Wells Fargo Bank
27 Account (#5152 (checking) and #4308 (money market) collectively, "Diocese Restricted Funds
28 Accounts"). On July 1, 2014, the Diocese implemented a Defined Contribution Plan covering

1 eligible lay employees. These employees are eligible upon attaining one year of service and are
2 scheduled to work at least 20 hours per week. The RCBSR, parishes and schools make employer
3 contributions to the Defined Contribution Plan in the amount of 5.5% of gross payroll for each
4 eligible employee. The RCBSR portion is paid from the General Fund and the parishes and
5 schools are billed. The parishes and schools pay their portions 45 days after month-end. These
6 funds are deposited into the Diocese Restricted Fund checking account. Oberting Decl., ¶44.

7 49. The RCBSR's 403(b) plan is administered by OneAmerica Financial Partners
8 ("OneAmerica"). Employer contributions are sent to OneAmerica via ACH debit from the
9 Diocese Restricted Fund account. Employee contributions are sent to OneAmerica via ACH debit
10 from the payroll account at West America Bank (#8396). Oberting Decl., ¶45.

11 Other Restricted Funds

12 50. There is a restricted Capital Campaign account held at Summit State Bank (#1951),
13 which contains the remaining \$1,000 raised in conjunction with a prior capital campaign. The
14 balance has not changed in several years. In addition, there is a restricted Catholic Cursio
15 Movement account held at Summit State Bank (#9518) containing earmarked residual funds from
16 a prior fundraising campaign. The balance has not materially changed in several years. Oberting
17 Decl., ¶46.

18 51. The Diocese Restricted Funds Accounts also are used to hold funds that are in trust
19 and donor restricted, including Second Collections, which are funds collected at the parish level
20 and earmarked for specific charitable causes or organizations. Payments for pension contributions
21 for lay personnel, life insurance, and certain other expenses relating to memorials, funerals, priest
22 welfare, and consulting are paid from this account monthly. Oberting Decl., ¶47.

23 RCBSR Funds at the Catholic Community Foundation

24 52. The RCBSR has certain funds invested with the Catholic Community Foundation
25 ("CCF"), an independent entity and non-debtor, which funds were received (a) as a directed
26 donation from one family and (b) from closure of a camp many years ago. The funds are held in
27 trust for the benefit of parishes, schools and various CCF funded programs. Funds are held in two
28 CCF accounts at Summit State Bank: checking account (#6427) and a certificate of deposit

1 (#2796). Oberting Decl., ¶48.

2 53. The RCBSR collects a management fee from each of the 70 accounts within the
3 fund on behalf of CCF. Those fees are deposited into account #6427. Oberting Decl., ¶49.

4 **Cash Management System**

5 54. All of the above Bank Accounts, along with the purpose for each and the method
6 of earmarking funds and transferring funds between accounts are referred to collectively as the
7 “Cash Management System.” The Cash Management System permits the RCBSR to fulfill its
8 obligation to donors to keep restricted funds, funds held in trust for others or funds donated for a
9 specific purpose segregated from the RCBSR’s operating and unrestricted funds. The RCBSR’s
10 employees are familiar and comfortable with the current Cash Management System. Oberting
11 Decl., ¶50. Given the relatively large number of accounts, following Local Rule 2015-1 and the
12 UST Guidelines would be overly burdensome and would not assist the administration of the
13 RCBSR’s bankruptcy case in any way.

14 **Prepetition Employee Wages and Benefits**

15 55. The Debtor has filed a motion contemporaneously herewith requesting entry of an
16 order (the “Payroll Order”) authorizing it to pay all prepetition wages, salaries, and related benefits
17 which were due, owing, or accrued but were not yet due as of the Petition Date. Payments for
18 payroll-related taxes and benefits sought to be authorized by entry of the Payroll Order, including
19 payroll taxes and payments relating to medical, dental, and other benefits will be drawn on the
20 existing payroll account, Health Plan Account and Health Insurance Reserve Account at Wells
21 Fargo and West America Bank. Oberting Decl., ¶51.

22 **Compelling Reasons to Maintain the Debtor’s Cash Management System and Accounting**
23 **Policies and Practices**

24 56. The Debtor in Possession is aware of the requirement under Local Rule 2015-1 and
25 UST Guideline 4.4.6 that, upon filing a petition for relief under chapter 11, the debtor close its
26 existing bank accounts and open new debtor-in-possession accounts marked to show that the
27 debtor is operating as a debtor-in-possession. However, the Debtor believes it should not be
28 required to comply with this requirement for the compelling reasons that complying with Local

1 Rule 2015-1 and UST Guideline 4.4.6 would be unduly costly, overly burdensome, not to the
2 benefit of any party in interest, and of no help in the overall administration of the estate.

3 57. The Debtor's Cash Management System is maintained in the ordinary course and
4 is essential to the Debtor's ongoing operations. The Cash Management System provides
5 significant benefits to the Debtor, including, among other things, the ability to: (i) account
6 properly for restricted funds and funds held in trust; (ii) control funds; (iii) perform its duties under
7 the Services Agreements; (iv) ensure the maximum availability of funds when necessary;
8 (v) maximize interest on deposit accounts; (vi) reduce administrative expenses and operational
9 disruption by facilitating the movement of funds and the development of more timely and accurate
10 account balance information; and (vii) continue accounting practices and operational procedures
11 familiar to the Debtor's staff. As a practical matter, because of the Debtor's financial structure, it
12 would be extremely difficult and prohibitively expensive to establish and maintain a separate
13 postpetition cash management system. Oberting Decl., ¶53.

14 58. The delay and disruption caused by closing the existing Bank Accounts and
15 opening new accounts would delay the Debtor's postpetition payment of its ordinary course
16 expenses and put a strain on the Debtor's relations with its accounting staff, the Non-Debtor
17 Catholic Entities served by the Debtor under the Services Agreements, donors, key suppliers, and
18 employees. By preserving continuity and avoiding the disruption and delay to the Debtor's
19 activities under the Services Agreements, payroll obligations and ministries that would necessarily
20 result from closing the existing Bank Accounts and opening new accounts, all parties in interest,
21 including Non-Debtor Catholic Entities, employees, donors and vendors, will be best served.
22 Furthermore, the administrative burden of overseeing such a transition would place a substantial
23 burden on the Debtor's management and personnel at a critical time in this case. The inevitable
24 delays and confusion would further impede the Debtor's ability to pay operating expenses in the
25 ordinary course, potentially compromising relationships with Non-RCBSR Entities, donors,
26 vendors, suppliers and employees. This could seriously jeopardize the Debtor's reorganization
27 efforts. Oberting Decl., ¶54.

28 59. The Debtor requires the ability to continue to utilize its Cash Management System

1 so that it may continue its operations uninterrupted. The Debtor's Cash Management System is
2 maintained through well-established relationships at the various financial institutions and series
3 of related accounts which allow the Debtor to manage and control receipts and disbursements and
4 to account for all transactions. Oberting Decl., ¶55.

5 60. Closing such accounts will delay the services provided by the Debtor under the
6 Servicing Agreement, payment of payroll and other ordinary course expenses, will increase the
7 cost of administration, impede the Debtor's efforts to continue to operate in the normal course of
8 business, potentially undermine the confidence of donors that their donated funds are being held
9 in trust and used for the intended uses, and will be a significant distraction to the Debtor's
10 management and accounting staff. Oberting Decl., ¶56.

11 61. Moreover, each year the Debtor's financial statements are audited by a public
12 accounting firm and the closing of the Debtor's Bank Accounts or any significant switch in
13 accounting policies and practices would unnecessarily complicate that process. Oberting Decl.,
14 ¶57.

15 LEGAL ARGUMENT

16 **A. Maintaining the Debtor's Current Bank Accounts is in the Best Interests of the** 17 **Estate and is Authorized Pursuant to 11 U.S.C. § 105(a)**

18 The United States Trustee for the Northern District of California has established certain
19 operating guidelines for debtors in possession. One such provision requires a chapter 11 debtor
20 in possession to open new debtor in possession bank accounts and to close all existing accounts.
21 See UST Guidelines 4.4.6. The UST Guidelines also require that new bank accounts be opened
22 in certain financial institutions designated as authorized depositories by the United States Trustee.
23 See UST Guidelines 4.4.6(a). In addition, Local Rule 2015-1 requires the chapter 11 debtor
24 indicate "debtor in possession" on any signature card for debtor bank accounts.

25 Pursuant to Bankruptcy Code section 105(a), the Debtor seeks a waiver of the United
26 States Trustee requirements and Local Rule 2015-1 relating to the closing and re-opening of new
27 bank accounts. Such a requirement would unnecessarily disrupt the Debtor's operations and
28 would not provide any significant benefit to the Debtor's estate, its creditors or parties in interest.

1 Courts have long recognized that the strict enforcement of bank account closing
2 requirements does not serve the rehabilitative purposes of chapter 11. Accordingly, courts regularly
3 have waived such requirements and permitted debtors to maintain their existing bank accounts and
4 cash management systems, treating such a request as a relatively “simple matter.” *See, e.g., In re*
5 *Baldwin-United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). Moreover, the UST Guidelines
6 do not have the force of law, and the Court may excuse compliance with certain of them. *See In re*
7 *Gold Standard Baking, Inc.*, 179 B.R. 98, 101-02 (Bankr. N.D. Ill. 1995) (United States Trustee
8 lacks statutory authority to direct how a debtor should conduct its ordinary course business
9 operations). All parties in interest to the reorganization case, including the Debtor, Non-RCBSR
10 Entities, employees, trade vendors and other creditors, and parishioners within the Diocese will be
11 best served by preserving operational continuity and avoiding the disruption and delay to the
12 RCBSR’s financial activities and payroll that would necessarily result from closing the Debtor’s
13 existing accounts and the opening of new accounts.

14 The Debtor requests authority to maintain and continue to use the existing Bank Accounts
15 in the names and with the account numbers existing immediately prior to the Petition Date. The
16 Debtor further requests authority to deposit funds in, and withdraw funds from, any such accounts
17 by all usual means, including, but not limited to, checks, wire transfers, automated clearinghouse
18 transfers, electronic funds transfers and other debits, and to treat the existing accounts for all
19 purposes as debtor-in-possession accounts.

20 The Debtor has endeavored to ensure that no checks in payment of prepetition obligations
21 remained outstanding as of the Petition Date. To further ensure against the payment of prepetition
22 debts – except for prepetition debts that the Court specifically authorizes to be paid – the RCBSR
23 will stop payment on any checks for prepetition obligations that are outstanding as of the Petition
24 Date and will begin issuing new checks postpetition with a significant gap in the numbering
25 sequence, to make it easier to distinguish between prepetition and postpetition checks.

26 The Debtor further requests authority for the banks at which it maintains existing accounts,
27 subject to and in accordance with the terms of any account agreements and applicable non-
28 bankruptcy law, to accept and honor all representations or instructions from the Debtor as to which

1 checks, drafts, wire transfers, or other transfers (each, an “Item” and, collectively, the “Items”)
2 should be honored or dishonored. The Debtor requests that its banks have absolute authority to
3 follow such representations and instructions, regardless of the particular transferee named on an
4 Item, the date of such Item (prepetition or postpetition), and the banks’ knowledge or belief as to
5 the existence of Court authorization for the transfer; provided, however, that the banks are not
6 required to honor any Item as to which there are insufficient funds in the applicable account.

7 The Debtor also requests a waiver of the requirement of UST Guideline 4.4.6 that the Debtor
8 establish specific bank accounts for tax payments. The Debtor believes that its tax obligations can
9 be paid most efficiently out of its existing accounts, and its monthly operating reports will permit
10 the United States Trustee to monitor tax payments. The Debtor submits that the creation of new
11 debtor-in-possession accounts designated solely for tax obligations is unnecessary and inefficient.

12 **B. Maintaining the Debtor’s Existing Business Forms is in the Best Interests of the**
13 **Estate**

14 To minimize administrative expense and delay, the Debtor requests authority to continue to
15 use its correspondence and business forms, including, but not limited to, purchase orders,
16 letterhead, envelopes, charitable solicitation materials, and checks (collectively, the “Business
17 Forms”), substantially in the form that they existed immediately prior to the Petition Date, without
18 reference to the RCBSR’s status as a debtor-in-possession. The Debtor has made no secret of the
19 serious issues it faces as described in the Oberting Background Declaration and the Moran
20 Declaration. The financial condition of the Debtor and the status of the Abuse cases against the
21 Debtor have been the subject of local media scrutiny for several years. The Debtor’s reorganization
22 case will likely generate substantial public reports and comments, both locally and nationally. It is
23 most likely that any party to a transaction with the Debtor will be aware of its status as a debtor in
24 possession.

25 Moreover, the Court has the power to allow the Debtor to deviate from the UST Guidelines
26 on this point. *See, e.g., In re Young*, 205 B.R. 894, 897 (Bankr. W.D. Tenn 1997) (United States
27 Trustee may not require debtor to imprint the words “debtor-in-possession” on his checks); *In re*
28 *Gold Standard Baking, supra*, at 105-106 (same). In other large cases, bankruptcy courts in various

1 California Districts have allowed debtors to use their prepetition business forms. *In re Roman*
2 *Catholic Bishop of Stockton*, Case No. 14-20371-C-11 (Bankr. E.D. Cal. Jan. 24, 2014 order); *In*
3 *re Hansaben Investments, LLC*, Case No. 22-30258 (Bankr. N.D. Cal. May 27, 2022); *In re ZF in*
4 *Liquidation LLC fka Zacky Farms, LLC*, Case No. 12-37961-B-11 (Bankr. E.D. Cal. Nov. 5, 2012
5 order); *In re eStyle, Inc.*, Case No. 08-13518 (Bankr. C.D. Cal. April 18, 2008 order); *In re Heller*
6 *Ehrman LLP*, Case No. 08-32514 (Bankr. N.D. Cal. Dec. 30, 2008 order).

7 If the Debtor is not permitted to maintain and use its existing accounts and to continue to
8 use its existing Business Forms, the resultant prejudice will include: (a) disruption in the ordinary
9 financial affairs and business of operations of the Debtor, to the detriment of employee morale and
10 vendor and parishioner relationships; (b) delay in the administration of the Debtor's estate and to
11 the pastoral care and services provided to all of the parishioners within the Debtor; and (c) cost to
12 the Debtor and its estate to set up new systems, open new accounts, and print new Business Forms.

13 **C. Maintenance of the Debtor's Existing Cash Management System is in the Best**
14 **Interests of the Estate**

15 The Cash Management System described herein is maintained in the ordinary course and
16 is essential to the Debtor's ongoing operations, especially to services provided by the Debtor to
17 the Non-RCBSR Entities under the Servicing Agreements. The preservation and continuation of
18 the Cash Management System is essential to the Debtor's continued operations.

19 The existing Cash Management System allows the Debtor to segregate, trace and account
20 properly for restricted funds and manage all of its cash flow needs centrally. The existing Cash
21 Management System includes necessary accounting controls to enable the Debtor, as well as its
22 creditors and the Court, to trace funds through the system and ensure all transactions are
23 documented and ascertainable. The existing Cash Management System has proven to be an
24 efficient and effective system to manage the Debtor's cash flow and supports the Debtor's
25 obligations under the Servicing Agreements, which provide a significant source of income for the
26 Debtor. In accordance with past practices, the Debtor will continue to maintain current records
27 with respect to all transactions involving the Debtor's Cash Management System. Given its central
28 role in funding numerous of the Debtor's vital operating expenses, such as performing under the

1 Servicing Agreements, collecting and maintaining restricted funds, payroll, employee benefits and
2 other payables, the Debtor's inability to continue using the Cash Management System would
3 severely, and perhaps irreparably, disrupt its operations and its mission.

4 In addition, given the financial structure of the Debtor, it would be difficult, if not
5 impossible, for the Debtor to establish an entirely new system of accounts and a new cash
6 management system. In other large cases, bankruptcy courts in various California Districts have
7 allowed debtors to continue to use their existing cash management systems. *In re Roman Catholic*
8 *Bishop of Stockton*, Case No. 14-20371-C-11 (Bankr. E.D. Cal. Jan. 24, 2014 order); *In re*
9 *Hansaben Investments, LLC*, Case No. 22-30258 (Bankr. N.D. Cal. May 27, 2022); *In re ZF in*
10 *Liquidation LLC fka Zacky Farms, LLC*, Case No. 12-37961-B-11 (Bankr. E.D. Cal. Nov. 5, 2012
11 order); *In re Heller Ehrman LLP*, Case No. 08-32514 (Bankr. N.D. Cal. Dec. 30, 2008 order); *In re*
12 *Arriva Pharmaceuticals, Inc.*, Case No. 07-42767 (Bankr. N.D. Cal. Sept. 11, 2007 order).

13 It is both essential and in the best interests of the Debtor's estate and creditors that the
14 existing Cash Management System be maintained. The Debtor's reorganization efforts will be
15 facilitated by preserving the "business as usual" atmosphere and avoiding the distractions that
16 would inevitably be associated with a substantial disruption in the existing Cash Management
17 System. Accordingly, it is appropriate and entirely consistent with applicable provisions of the
18 Bankruptcy Code for the Court to approve the Debtor's Cash Management System in its current
19 form.

20 **D. The Debtor Should Be Granted Authority to Continue Its Accounting Policies and**
21 **Practices**

22 The Debtor also seeks authority to continue its accounting policies and practices that allow
23 it to determine with accuracy the amount and location of all funds it holds, and whether such funds
24 are the Debtor's funds or funds held in trust.

25 It is critical that the Debtor continues to follow its prepetition accounting policies and
26 practices for they allow the Debtor to coordinate transfers between the Bank Accounts efficiently,
27 effectively operate its business, and accurately account for restricted funds and funds held for
28 others. The Debtor's current accounting policies and practices, as well as the vast majority of the

1 Bank Accounts, are tested and familiar to the Debtor's employees. The Debtor's current accounting
2 policies and practices function well for the Debtor in terms of tracking expenditures, matching cash
3 with cash needs, ease of account record keeping, movement of funds, and accounting of funds held
4 in trust or subject to restrictions. Moreover, each year the Debtor's financial statements are audited
5 by a public accounting firm and the closing of the Debtor's Bank Accounts or any significant switch
6 in accounting policies and practices would unnecessarily complicate that process.

7 In addition, it would be inefficient and time consuming for the Debtor to establish an
8 entirely new set of accounting policies and practices. Preserving the usual atmosphere and avoiding
9 the unnecessary distractions that would inevitably be associated with any substantial change in
10 accounting policies and practices will facilitate the Debtor's reorganization efforts. The Debtor's
11 accounting policies and practices have resulted in accurate and detailed records of the funds in the
12 Bank Accounts. Forcing the Debtor to close its Bank Accounts or significantly alter its accounting
13 policies and practices could result in confusion over which funds the Debtor is holding are its own
14 property and which are held in trust.

15 Thus, under the circumstances, allowing the Debtor to maintain its accounting policies and
16 practices is in the best interests of its estate and creditors. The Debtor will continue to maintain
17 strict records with respect to all transfers of cash so that transactions can be readily traced and
18 evaluated.

19 **E. Continued Use of Investment Practices**

20 The Debtor also seeks a waiver of the deposit guidelines set forth in section 345(b) to the
21 extent necessary to allow the Debtor to maintain its Bank Accounts.

22 Section 345 of the Bankruptcy Code authorizes a debtor to invest cash and money in a
23 manner that will "yield the maximum reasonable net return on such money, taking into account the
24 safety of such deposit or investment." 11 U.S.C. § 345(a). Section 345(b) of the Bankruptcy Code
25 provides as follows:

26 Except with respect to a deposit or investment that is insured or guaranteed
27 by the United States or by a department, agency, or instrumentality of the United
28 States or backed by the full faith and credit of the United States, the trustee shall
require from an entity with which such motion is deposited or invested –

1 (1) a bond –

2 (A) in favor of the United States;

3 (B) secured by the undertaking of a corporate surety approved by
4 the United States trustee for the district in which the case is pending; and

5 (C) conditioned on –

6 (i) a proper accounting for all money so deposited or
invested and for any return on such money;

7 (ii) prompt repayment of such money and return; and

8 (iii) faithful performance of duties as a depository; or

9 (2) the deposit of securities of the kind specified in section 9303 of title 31;

10 unless the court for cause orders otherwise.

11 11 U.S.C§. § 345(b).

12 Section 345 expressly provides that the Court may modify a debtor's investment
13 requirements for "cause." The Debtor submits that cause exists for allowing it to invest its excess
14 cash in accordance with its existing investment policies, without meeting the strict bond
15 requirements of section 345(b).

16 The Debtor submits that its practices generally conform to the intent of section 345 (b) to
17 protect and maximize the value for its estate. The Debtor believes that its existing investment
18 procedures are designed to protect the principal invested while maximizing liquidity and, therefore,
19 believes that sufficient cause exists to waive the investment requirements of section 345(b) to allow
20 the Debtor to continue its existing investment procedures.

21 Courts have routinely granted requests to approve the continued use of deposit guidelines
22 that do not comply strictly with section 345. This is especially the case when, as here, the manner
23 of the proposed investments is safe and prudent. *See, e.g., In re Service Merchandise, Co., Inc.*,
24 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999) (enumerating factors to be considered in waiving
25 requirements of section 345, including size of business and safety of debtor's proposed
26 investments).

27 Moreover, the Debtor believes that the banks the Debtor uses are well-established and invest
28 the Debtor's funds in accordance with their standard investment guidelines. Requiring the Debtor

1 to open multiple accounts at different banks so that the deposits in each such bank would be insured
2 by FDIC would be unnecessarily burdensome and would lead to the same delays and disruption of
3 the Debtor's business that this Motion seeks to avoid.

4 While Catholic Extension and the Catholic Community Foundation ("CCF") are not FDIC
5 insured banking institutions, in the RCBSR's business judgment, the Catholic Extension and the
6 CCF holds sufficient reserves to protect the RCBSR's money and the RCBSR's funds in the
7 accounts at Catholic Extension and CCF are safe based on information provided by them. In
8 addition, the RCBSR's funds in the CCF are held at Summit State Bank, a depository institution on
9 the U.S. Trustee's approved list of depositories. The funds at Catholic Extension are held in long-
10 term investments designed to minimize the risk of loss of those funds while providing a return on
11 the funds invested.

12 The Debtor submits that given the totality of the circumstances its request is reasonable
13 and cause exists for the Court to relieve the Debtor from compliance with the requirements of
14 Bankruptcy Code section 345(b). For the foregoing reasons, the Debtor believes that granting the
15 relief requested herein is appropriate and in the best interests of its estate.

16 To the extent the fourteen day stay of Bankruptcy Rule 6004(h) may be construed to apply
17 to the subject matter of this Motion, the Debtor requests that such stay be waived.

18 CONCLUSION

19 Just as the financial reorganization of commercial debtors depends upon their business
20 relationships continuing unimpeded by those reorganizations, it is equally critical to the Debtor that
21 its reorganization case be transparent to the tens of thousands of men and women who daily seek
22 services and solace from the RCBSR and from the parishes, schools, other Non-Debtor Catholic
23 Entities, and charities the RCBSR serves. Granting the motion will help ensure that the RCBSR
24 can continue its mission.

25 WHEREFORE, the RCBSR respectfully requests that the Court enter an Order substantially
26 in the form attached hereto as Exhibit A as follows:

- 27 1. Approving the Motion on an expedited basis;
- 28 2. Authorizing the RCBSR to continue to use its existing Cash Management System;

1 3. Authorizing the RCBSR to maintain and use its existing Bank Accounts, accounting
2 policies and practices and Business Forms;

3 4. Waiving Local Rule 2015-1 and UST Guideline 4.4.6 to the extent necessary, as
4 described in the Motion;

5 5. Authorizing the RCBSR to continue its investment practices in lieu of the
6 investment requirements of 11 U.S.C. § 345(b);

7 6. Granting all other relief described in the Motion; and

8 7. Granting such other relief as the Court deems just and proper under the
9 circumstances.

10 Dated: March 13, 2023

11 FELDERSTEIN FITZGERALD
12 WILLOUGHBY PASCUZZI & RIOS LLP

13 By: /s/ Paul J. Pascuzzi
14 PAUL J. PASCUZZI
15 Proposed Attorneys for
16 Debtor and Debtor-In-Possession
17 The Roman Catholic Bishop of Santa Rosa
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EXHIBIT A

1 PAUL J. PASCUZZI, State Bar No. 148810
2 JASON E. RIOS, State Bar No. 190086
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13 Proposed Attorneys for
14 The Roman Catholic Bishop of Santa Rosa

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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SANTA ROSA DIVISION

In re:

THE ROMAN CATHOLIC BISHOP OF
SANTA ROSA,

Debtor In Possession.

CASE NO. 23-10113

Chapter 11

Date: March 16, 2023

Time: 1:00 p.m.

Location: 1300 Clay Street, Ctrm. 215
Oakland, CA

[In person or via Zoom]

Judge: Hon. Charles Novack

Order Shortening Time

**INTERIM ORDER (1) AUTHORIZING CONTINUED USE OF EXISTING CASH
MANAGEMENT SYSTEM, OPERATIONAL BANK ACCOUNTS AND RELATED
INVESTMENT ACCOUNTS; (2) EXCUSING COMPLIANCE WITH SECTION 345(b);
AND (3) AUTHORIZING CONTINUED USE OF CURRENT INVESTMENT POLICY**

The motion of The Roman Catholic Bishop of Santa Rosa ("Debtor"), debtor in possession, seeking entry of an order (1) authorizing continued use of existing cash management system, operational bank accounts and related investment accounts; (2) excusing compliance with section 345(b); and (3) authorizing continued use of current investment policy (the "Motion"), came on for hearing on March 16, 2023, at 1:00 p.m., in Courtroom 215 of the United States Bankruptcy Court for the Northern District of California. The Debtor appeared through its counsel, Paul J. Pascuzzi. Other appearances were noted on the record. All capitalized terms used but not defined

1 herein shall have the meanings given to them in the Motion.

2 The Court has considered the Motion, the Declaration of Deacon Joe Oberting in Support
3 of Chapter 11 Petition and First Day Motions, the Declaration of Deacon Joe Oberting filed in
4 support of the Motion, the Declaration of Adrienne Moran in Support of Chapter 11 Petition and
5 First Day Motions, and the matters reflected in the record of the hearing held on the Motion on
6 March 16, 2023. The Court having found that it has jurisdiction over this proceeding; that this is
7 a core proceeding; that notice of the Motion has been given to the Office of the United States
8 Trustee, the twenty largest unsecured creditors, all secured creditors, if any, and any applicable
9 governmental entities; that no further notice is necessary; that the relief sought in the Motion is in
10 the best interests of the Debtor, its estate, and its creditors; and that good and sufficient cause
11 exists for such relief.

12 Accordingly, it is hereby ORDERED as follows:

- 13 1. The Motion (Docket No. __) is GRANTED on an interim basis;
- 14 2. The Debtor is authorized to: (a) designate, maintain, and continue to use any and all
15 existing bank accounts with the same account numbers, including, without limitation, the accounts
16 identified in the Motion, provided however that the accounts shall be designated as debtor in
17 possession accounts to the extent possible by the relevant banks; and (b) continue to use its existing
18 cash management system. In connection with the ongoing utilization of the cash management
19 system, the Debtor shall continue to maintain strict records with respect to all transfers of cash so
20 that all transactions may be readily ascertained, traced, recorded properly, and distinguished
21 between pre-petition and post-petition transactions.
- 22 3. Each of the Debtor's existing depository and disbursement banks (collectively, the
23 "Banks") is authorized to debit the Debtor's accounts in the ordinary course of business without
24 the need for further order of this Court for: (i) all checks drawn on the Debtor's accounts which are
25 cashed at such Bank's counters or exchanged for cashier's checks by the payees thereof prior to the
26 Petition Date; (ii) all checks or other items deposited in one of Debtor's accounts with such Bank
27 prior to the Petition Date which have been dishonored or returned unpaid for any reason, together
28 with any fees and costs in connection therewith, to the same extent the Debtor was responsible for

1 such items prior to the Petition Date; and (iii) all undisputed prepetition amounts outstanding as of
2 the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash
3 Management System.

4 4. Any of the Debtor's Banks may rely on the representations of the Debtor with
5 respect to whether any check or other payment order drawn or issued by the Debtor prior to the
6 Petition Date should be honored pursuant to this or any other order of this Court without any duty
7 of further inquiry and without liability for following the Debtor's instructions.

8 5. That (i) those certain existing deposit agreements between the Debtor and its Banks
9 shall continue to govern the post-petition cash management relationship between the Debtor and
10 the Banks, and that all of the provisions of such agreements, including, without limitation, the
11 termination and fee provisions, shall remain in full force and effect, and (ii) the Debtor and the
12 Banks may, without further Order of this Court, agree to and implement changes to the Cash
13 Management System and procedures in the ordinary course of business, including, without
14 limitation, the opening and closing of bank accounts.

15 6. Nothing contained herein shall prevent the Debtor from opening any additional bank
16 accounts or closing any existing bank account(s) as it may deem necessary and appropriate, and the
17 Banks are authorized to honor the Debtor's request to open or close, as the case may be, such bank
18 accounts or additional bank accounts, *provided however*, that any new account shall be with a bank
19 that is insured with the Federal Deposit Insurance Corporation that is organized under the laws of
20 the United States or any State thereof and that such account is either bonded or securitized as
21 described in 11 U.S.C. § 345(b) should the account exceed the FDIC insurance limit.

22 7. Any and all accounts opened by the Debtor on or after the Petition Date at any Bank
23 shall, for all purposes under this Order, similarly be subject to the rights and obligations of this
24 Order.

25 8. The Debtor and the Banks are hereby authorized to continue to perform pursuant to
26 the terms of any pre-petition agreements that may exist between them, except to the extent
27 otherwise directed by the terms of this Order. The parties to such agreements shall continue to
28 enjoy the rights and remedies afforded to them under such agreements, except to the extent

1 modified by the terms of this Order or by operation of the Bankruptcy Code.

2 9. The Debtor is authorized to continue to use its existing business forms and stationery
3 without alternation or change.

4 10. The Debtor is authorized to continue its current investment practices as described in
5 the Motion and related pleadings, including but not limited to the use of the Merrill Lynch Stock
6 Transfer Account, the funds on deposit with Catholic Extension and the funds deposited with the
7 Catholic Community Foundation.

8 11. Neither this Order, nor the Debtor's payment of any amounts authorized by this
9 Order, shall: (i) result in any assumption of any executory contract by the Debtor; (ii) result in a
10 commitment to continue any plan, program, or policy of the Debtor; or (iii) impose any
11 administrative, pre-petition, or post-petition liabilities upon the Debtor.

12 12. In granting the Motion, the Court is not making any findings or determinations as to
13 what is or is not property of the estate. Nothing herein constitutes a judicial approval or disapproval,
14 or judicial determination, of what assets are or are not restricted or held in trust or property of the
15 estate or what expenditures are reasonable or appropriate.

16 13. To the extent the fourteen day stay of Bankruptcy Rule 6004(h) may be construed
17 to apply to the subject matter of this Order, such stay is hereby waived.

18 14. Nothing in this Order authorizes the Debtor to make any payments that benefit,
19 directly or indirectly, any credibly accused perpetrator of abuse, whether for wages, support,
20 housing, prepetition claims, retirement or otherwise.

21 15. The Court shall retain jurisdiction to hear and determine all matters arising from
22 implementation of this Order.

23 16. The final hearing on the Motion shall be heard on _____, 2023, at
24 _____.m. Opposition, if any, to the granting of the Motion on a final basis shall be filed by
25 _____, 2023. The Debtor's reply to any opposition shall be filed by _____, 2023.

26 17. Counsel to the Debtor is directed to serve a copy of this Order on all parties on the
27 Limited Service List, as defined in the Debtor's Motion For Order Establishing Notice Procedures

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1 on file herein, within five (5) days of the entry of this Order and to file a certificate of service with
2 the Clerk of the Court.

3 APPROVED AS TO FORM.

4 OFFICE OF THE UNITED STATES
5 TRUSTEE

6 JASON BLUMBERG

7 * * * END OF ORDER * * *